



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

EXECUTIVE OFFICE

April 15, 2011

The Honorable Kirk Adams  
Speaker, Arizona House of Representatives  
1700 W. Washington  
Phoenix, Arizona 85007

RE: HB 2338 (special districts; secondary levy limits)

Dear Speaker Adams,

Today, I vetoed House Bill 2338, "special districts; secondary levy limits." The bill establishes property tax levy limits for county jail and juvenile, library, and public health districts.

While these are worthy services, I am concerned about the rapid growth of special districts and the aggregate impact on taxpayers and future business investment.

However, mandating restrictions will affect counties inequitably in their efforts to respond to community needs. Rural counties, particularly those with low, existing levies may be penalized with the statewide cap approach in the language of this bill.

I believe that a system of limits could be put in place, while also taking into account the varying circumstances around the state. Maricopa County, for instance, has voluntarily capped special district levies for almost six years. This issue remains subject to dispute between the special district boards and taxpayers. I encourage the parties to work together to craft reasonable safeguards against excessive taxation between now and the next legislative session.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is fluid and cursive, with the first name "Janice" being the most prominent.

Janice K. Brewer  
Governor

cc: The Honorable Russell Pearce  
The Honorable Justin Olson

House Engrossed

State of Arizona  
House of Representatives  
Fiftieth Legislature  
First Regular Session  
2011

## **HOUSE BILL 2338**

AN ACT

AMENDING SECTIONS 48-3903, 48-4023, 48-4023.01 AND 48-5805, ARIZONA REVISED  
STATUTES; RELATING TO SECONDARY PROPERTY TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 48-3903, Arizona Revised Statutes, is amended to  
3 read:

4 48-3903. Tax levies; limitation

5 A. The board of directors, after a county free library is established,  
6 ~~shall~~ MAY annually levy in the same manner and at the same time as other  
7 county secondary property taxes are levied a county free library district tax  
8 sufficient to establish the district and to ~~insure~~ ENSURE the payment of  
9 salaries, maintenance and upkeep and other necessary expenses of the county  
10 free library district.

11 B. The tax shall be levied and collected ~~upon~~ ON all property in the  
12 county and ~~upon~~ ON all property within incorporated cities and towns in the  
13 county.

14 C. BEGINNING IN TAX YEAR 2011, THE MAXIMUM AMOUNT OF A LEVY UNDER THIS  
15 SECTION FOR ALL PURPOSES OF THE DISTRICT OTHER THAN DEBT SERVICE ON DISTRICT  
16 BONDS SHALL NOT EXCEED THE AMOUNT OF THE LEVY IN THE PRECEDING TAX YEAR,  
17 ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN THE LEVY  
18 LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY IN WHICH  
19 THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051. THE  
20 LIMITATION UNDER THIS SUBSECTION SHALL BE INCREASED EACH YEAR TO THE MAXIMUM  
21 PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES THAT  
22 AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31, 2010,  
23 THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT AS APPROVED BY  
24 THE BOARD OF DIRECTORS PURSUANT TO THIS SECTION.

25 Sec. 2. Section 48-4023, Arizona Revised Statutes, is amended to read:

26 48-4023. Property tax levy; limitation

27 A. If a majority of the qualified electors voting at an election held  
28 pursuant to section 48-4021 approves a county jail district ad valorem  
29 property tax, on or before the third Monday in August each year the district  
30 shall certify to the county board of supervisors the amount of taxes to be  
31 levied for the taxable year on the taxable property in the district which,  
32 together with unexpended balances carried forward from the previous fiscal  
33 year and revenues from all other sources, is necessary to pay the maintenance  
34 and operation expenses of the district in carrying out the objects and  
35 purposes of this chapter.

36 B. The board of supervisors shall levy a secondary property tax on the  
37 taxable property in the district, at the same time and in the same manner as  
38 county taxes are levied, sufficient to provide the amount certified under  
39 subsection A of this section, but the tax rate is limited to, and shall not  
40 exceed in any event, THE LESSER OF:

41 1. Twenty cents per one hundred dollars of assessed valuation, ~~except~~  
42 ~~as provided in subsection D of this section.~~

43 2. BEGINNING IN TAX YEAR 2011, THE AMOUNT OF THE LEVY IN THE PRECEDING  
44 TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN  
45 THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY  
46 IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.

1 THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE  
2 MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES  
3 THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,  
4 2010, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT AS  
5 APPROVED BY THE QUALIFIED ELECTORS PURSUANT TO SECTION 48-4021.

6 C. The tax revenues collected pursuant to this section shall be paid  
7 to the district treasurer and deposited in the county jail district general  
8 fund and used solely for the purposes for which they were collected.

9 ~~C.~~ D. The tax shall be levied on all of the taxable property in the  
10 district.

11 ~~D. Notwithstanding subsection B of this section, for tax years 2006,~~  
12 ~~2007 and 2008, the district may certify and the board of supervisors shall~~  
13 ~~levy a secondary property tax on the taxable property in the district in an~~  
14 ~~amount equal to the amount levied in tax year 2005.~~

15 Sec. 3. Section 48-4023.01, Arizona Revised Statutes, is amended to  
16 read:

17 48-4023.01. Property tax levy for juvenile detention  
18 facilities; limitation

19 A. If a majority of the qualified electors voting at an election held  
20 pursuant to section 48-4021 ~~approves~~ APPROVE an ad valorem property tax for  
21 the district that includes juvenile detention facilities or if a majority of  
22 the qualified electors voting at an election held pursuant to section 48-4004  
23 ~~approves~~ APPROVE the inclusion of juvenile detention facilities in a district  
24 that was created by an election held pursuant to section 48-4021, the  
25 district may impose an ad valorem property tax pursuant to this section. The  
26 district shall certify to the county board of supervisors on or before the  
27 third Monday in August of each year the amount of taxes to be levied in  
28 addition to the levy in section 48-4023 for the taxable year on the taxable  
29 property in the district. The amount certified together with unexpended  
30 balances carried forward from the previous fiscal year and revenues from all  
31 other sources shall be the amount necessary to pay the maintenance and  
32 operation expenses of the district in carrying out this chapter in relation  
33 to juvenile detention facilities.

34 B. The board of supervisors may levy a secondary property tax on the  
35 taxable property in the district at the same time and in the same manner as  
36 county taxes are levied in an amount that is sufficient to provide the amount  
37 certified pursuant to subsection A of this section. The tax ~~rate~~ is limited  
38 to THE LESSER OF:

39 1. Ten cents per one hundred dollars of assessed valuation, ~~except as~~  
40 ~~provided in subsection D of this section.~~

41 2. BEGINNING IN TAX YEAR 2011, THE AMOUNT OF THE LEVY IN THE PRECEDING  
42 TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN  
43 THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY  
44 IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.  
45 THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE  
46 MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES

1 THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,  
2 2010, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT AS  
3 APPROVED BY THE QUALIFIED ELECTORS PURSUANT TO SECTION 48-4021.

4 C. The tax revenues collected pursuant to this section shall be paid  
5 to the district treasurer for deposit in the county jail district general  
6 fund and shall be used solely for juvenile detention facilities.

7 ~~C.~~ D. The tax shall be levied on all of the taxable property in the  
8 district.

9 ~~D. Notwithstanding subsection B of this section, for tax years 2006,~~  
10 ~~2007 and 2008, the district may certify and the board of supervisors shall~~  
11 ~~levy a secondary property tax on the taxable property in the district in an~~  
12 ~~amount equal to the amount levied in tax year 2005.~~

13 Sec. 4. Section 48-5805, Arizona Revised Statutes, is amended to read:

14 48-5805. Transaction privilege tax; property tax; limitation

15 A. The board of directors of the district by resolution may levy, and  
16 if levied, the department of revenue shall collect, a transaction privilege  
17 tax pursuant to this section to be used and spent for the purposes described  
18 in section 48-5804. The board shall set the rate of the tax at not more than  
19 two per cent of the tax rate that applies to each business in the district  
20 that is subject to taxation under title 42, chapter 5, article 1. The board  
21 shall levy the tax on each person engaging in the district in a business  
22 taxed under title 42, chapter 5, article 1.

23 B. Each month the state treasurer shall remit to the district  
24 treasurer the net revenues collected under subsection A of this section  
25 during the second preceding month. The district treasurer shall deposit the  
26 monies in the public health services district's accounts and shall account  
27 for all expenditures.

28 C. In lieu of a transaction privilege tax pursuant to subsection A of  
29 this section, the board by resolution may levy in the same manner and at the  
30 same time as other county secondary property taxes are levied a public health  
31 services district tax. The tax shall not exceed THE LESSER OF:

32 1. Twenty-five cents per one hundred dollars of assessed valuation and  
33 shall be levied on all property in the county and on all property within  
34 incorporated cities and towns in the county.

35 2. BEGINNING IN TAX YEAR 2011, THE AMOUNT OF THE LEVY IN THE PRECEDING  
36 TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN  
37 THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY  
38 IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.  
39 THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE  
40 MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES  
41 THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,  
42 2010, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT PURSUANT  
43 TO PARAGRAPH 1 OF THIS SUBSECTION.

44 D. The district shall deposit all monies collected pursuant to this  
45 subsection in a separate account and shall account for all expenditures.

Passed the House February 28, 2011

by the following vote: 35 Ayes,

23 Nays, 2 Not Voting

[Signature]  
Speaker of the House

Pro Tempore

Cheryl Laube  
Chief Clerk of the House

Passed the Senate April 11, 2011

by the following vote: 19 Ayes,

8 Nays, 3 Not Voting

[Signature]  
President of the Senate

Charmian Bellington  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

11 day of April, 2011

at 2:40 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this \_\_\_\_\_ day of \_\_\_\_\_

**VETO**

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

H.B. 2338

\_\_\_\_\_  
Secretary of State